

**CITY OF NORA SPRINGS, IOWA
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2015 THROUGH JUNE 30, 2016**

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Officials

Name	Title	Term Expires
(Before January, 2016)		
Elected Officials		
George Andersen	Mayor	December 31, 2017
Steve Blickenderfer	Council Member	December 31, 2015
Alan Brallier	Council Member	December 31, 2015
Margaret Ueker	Council Member	December 31, 2017
Brian Hanft	Council Member	December 31, 2017
Candace Smith	Council Member	December 31, 2015
Appointed Officials		
Deborah Gaul	City Administrator	Indefinite
(After January, 2016)		
George Andersen	Mayor	December 31, 2017
Steve Blickenderfer	Council Member	December 31, 2019
Duane O'Banion	Council Member	December 31, 2019
Margaret Ueker	Council Member	December 31, 2017
Brian Hanft	Council Member	December 31, 2017
Brian Pederson	Council Member	December 31, 2019
Appointed Officials		
Deborah Gaul	City Administrator	Indefinite

Independent Accountant's Report on Applying Agreed-Upon Procedures —

To the Honorable Mayor and
Members of the City Council
City of Nora Springs, Iowa

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Nora Springs for the period July 1, 2015 through June 30, 2016. The City of Nora Springs' management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2016 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
9. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
10. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended COA.
12. We reviewed transfers between funds for proprietary, proper authorization and accurate accounting.
13. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of noncompliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Nora Springs, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Nora Springs, additional matters might have come to our attention that would have been reported to you.

To the Honorable Mayor and
Members of the City Council
City of Nora Springs, Iowa
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This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Nora Springs and other parties to whom the City of Nora Springs may report. This report is not intended to be and should not be used by anyone other than these specified parties.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
November 29, 2016

Detailed Recommendations

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (A) **Segregation of Duties** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Accounting system - performing all general accounting functions and having custody of assets.
- (2) Cash - handling, reconciling and recording.
- (3) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (4) Utilities - billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (5) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (6) Payroll - entering rates into the system, recordkeeping, preparing, signing and distributing.
- (7) Computer system - performing all general accounting functions and controlling all data input and output.
- (8) Financial reporting - preparing and reconciling.

Recommendation - We realize that segregation of duties is difficult with the limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) **City Council Minutes** - Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within 15 days of the meeting and include total disbursements from each fund along with a summary of all receipts. One of four minutes reviewed was not published within 15 days. Also, three of the four minutes reviewed did not include total disbursements from each fund and one of the four did not include a summary of all receipts.

Recommendation - The City should comply with the Code of Iowa and publish City Council minutes within 15 days. The minutes should include total disbursements from each fund and a summary of all receipts.

- (C) **Bank Reconciliations** - The cash balances in the City's general ledger were reconciled to bank account balances throughout the year. However, no independent review of the bank reconciliations was performed.

Recommendation - An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (D) **Financial Condition** - As of June 30, 2016, the City had deficit balances in the following funds:

Fund	Amount
Capital Projects	
Sanitary Sewer Rehab Project	\$ 25,827
NS Pedestrian Bridge Fund	375
Enterprise Funds	
Sewer	33,441
Sewer Sinking Fund	23,011
Sanitary Sewer Rehab Fund	5,818

Recommendation - The City should investigate alternatives to eliminate these deficits to return these funds to a sound financial position.

- (E) **Financial Reporting** - We reviewed financial reports for 2016 and noted the following:

- (1) The total fund balance of \$2,346,099 reported on the fiscal year 2016 Annual Financial Report was \$36 greater than the City's general ledger and bank balance of \$2,346,063.
- (2) The total fund balance of \$218,319 reported on the Annual Urban Renewal Report was \$3,262 greater than the general ledger balance of \$215,057.
- (3) The total fund balance of \$95,986 reported on the Street Financial Report was \$10,358 greater than the general ledger balance of \$85,628.

Recommendation - The City should implement procedures to ensure reports filed with outside agencies agree with the City's records.

- (F) **Payroll** - The annual salary increases for all Library employees were based upon a specific amount per hour. The actual approved wages were not indicated in the Library Board minutes.

Recommendation - Salaries of Library employees should be adequately documented in the minutes and the employees' personnel files.

- (G) **Disbursements** - Supporting documentation was not available to support one of 30 disbursements tested in the amount of \$134.32. In addition, one of 30 disbursements tested was recorded to the wrong account.

Recommendation - The City should maintain supporting documentation for all disbursements and review its procedures to ensure that disbursements are recorded properly.

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (H) **Employee Benefits Levy** - The City levies property taxes for payroll taxes and health insurance costs. The property tax levy produced tax collections of \$117,014 recorded in the Special Revenue, Employee Benefits Fund. Payroll taxes and insurance premiums paid from the Special Revenue, Employee Benefits Fund totaled \$93,475, indicating excess property tax is being levied for this purpose. We noted an ending fund balance of \$193,154 in the Special Revenue, Employee Benefits Fund which indicates that excess property tax had been levied for several years.

Recommendation - The property tax levy should be reduced or eliminated to use up the excess fund balance. Amounts collected in excess of payroll taxes and insurance premiums in the Special Revenue, Employee Benefits Fund may be used only for allowable employee benefits.

- (I) **Road Use Tax** - Chapter 312 of the Code of Iowa establishes a Road Use Tax Fund and defines the specific revenue and expenditures that are to be recorded in this fund. The City did not record all of the deposits received from the State of Iowa in the Road Use Tax Fund as required.

Recommendation - The City should comply with Chapter 312 of the Code of Iowa and properly record all monies received from the State of Iowa for road maintenance and construction in the Road Use Tax Fund.